MONTANA

DRINKING WATER STATE REVOLVING FUND

ANNUAL REPORT

FOR STATE FISCAL YEAR 2008
(JULY 1, 2007 THROUGH JUNE 30, 2008)

Prepared by

Montana Department of Environmental Quality
and
Department of Natural Resources and Conservation

for
EPA Region VIII
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ANNUAL REPORT
STATE FISCAL YEAR (SFY) 2008
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MONTANA
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I. INTRODUCTION

This Annual report adheres to the Operating Agreement negotiated between the State of Montana and the Environmental Protection Agency (EPA) concerning the administration of the Drinking Water State Revolving Fund (DWSRF). The annual report summarizes DWSRF activities for the state fiscal period beginning July 1, 2007 and ending June 30, 2008 (SFY08).

The DWSRF program was established as a result of the 1996 Amendments to the Federal Safe Drinking Water Act, which provided the authority for EPA to make capitalization grants to states. The grants, in conjunction with state matching funds, are used to provide financial assistance for the construction of drinking water projects and to support administration of the state program.

In anticipation of the 1996 Amendments to the Federal Act, the 1995 State Legislature, under Title 75, Chapter 6, Part 2, Montana Code Annotated, passed the enabling legislation, entitled the Safe Drinking Water Treatment Revolving Fund Act, giving authority to the Montana Department of Environmental Quality (DEQ) and the Department of Natural Resources and Conservation (DNRC) to adopt administrative rules to implement the program. Legislation also provided the ability to generate state matching funds, through the sale of state General Obligation Bonds (GO Bond Authority). Amendments to the Drinking Water State Revolving Fund Act were passed in the 1997, 1999, 2001, 2003, and 2005 Legislative Sessions. The 1997 amendments changed the title of the Act from "Safe Drinking Water Treatment Revolving Fund Act" to the "Drinking Water State Revolving Fund Act" and also made other changes consistent with the Federal Act. During the 1999 Legislative Session, the 1999 amendment clarified the transfer language between the DWSRF and Water Pollution Control State Revolving Fund (WPCSRF) Programs and added GO Bond Authority. The 2001 Amendment authorized the program to advance funds to projects funded, in part, by the federal government when federal funding has been approved but not appropriated. This provides interim financing until those federal funds become available. The 2003 Amendment increased GO Bonding Authority by $10 million, raising the total to $30 million. The 2005 amendment authorized the issuing of Revenue or Grant Anticipation Notes and authorized limited principal forgiveness to disadvantaged communities.

II. EXECUTIVE SUMMARY SFY08

During SFY 08 Montana was awarded the twelfth capitalization grant in the amount of $8,146,000 for FFY 08.

Since the inception of the DWSRF, Montana has issued five GO bonds, one Bond Anticipation Note (BAN) and one Revenue Anticipation Note (RAN). These proceeds have been used as state match for loans, set asides, and program administration. Montana issued its first GO bond in October 1998 (SFY99), the second GO Bond in April 2000 (SFY00), the third GO bond in June 2001 (SFY01), the fourth GO Bond in June 2003 (SFY03); and the fifth GO Bond in May 2005 (SFY05). The total amount of bonds, BANs, and RANs issued to date is $16,295,000. A summary of these bond issues is provided in Exhibit 1. Montana is planning for its sixth GO Bond later in calendar year 2009.

Exhibit 1, Sources of DWSRF Funds Through SFY08, provides a complete tabulation of capitalization grant awards received through June 30, 2008, projected state match, binding commitments for loan projects through

SFY08, and GO bonds, BANs, and RANs issued for state match. The combination of capitalization grants and bond proceeds provided the needed funds for DWSRF projects, set asides, and program administration during SFY08. In addition, DNRC provided a portion of their program administration services as an in-kind contribution in the amount of $-0- for SFY08.

During SFY08, the DWSRF program executed 14 project binding commitment agreements totaling $15,068,160, increased two commitments in the amount of $88,000 with total commitment of funds of $15,156,160 for the period. For a detailed breakdown of all DWSRF binding commitments signed and key dates of project activity that occurred in SFY08, refer to Exhibit 2: DWSRF SFY08 Binding Commitments Executed. See Exhibit 3 and 4 for the closed loans.

Detailed information concerning use of DWSRF funds, accomplishments of the program and adherence with the stated goals of the program are provided on the following pages.

III. GOALS OF THE DWSRF

The following information describes the goals of DWSRF program as identified in the SFY08 Intended Use Plan, and how these goals were achieved by the activities performed by DNRC and DEQ personnel throughout the course of the year.

Long-Term Goals

1. To continue building and maintaining a permanent, self-sustaining state revolving fund program that will serve as a cost-effective, convenient source of financing for drinking water projects in Montana.

   Projects funded during SFY08 met all program requirements governing financial capability to assume debt. Nine of eighteen projects received an interest rate of 3.75% on their loans (well below market rates) and nine of the eighteen qualified for an interest rate of 2.75% under the disadvantaged community criteria or interim financing. These factors illustrate that the assistance is affordable. Refer to Exhibit 3 & 4. A copy of the cash flow with all the activity through SFY08 is included in this report as Appendix A.

2. To provide a financing and technical assistance program to help public water supplies achieve and maintain compliance with federal and state drinking water laws and standards for the protection and enhancement of Montana's public drinking water.

   To promote the availability of these DWSRF program services during SFY08, DWSRF staff presented information at a variety of events. This included two infrastructure workshops and the annual Montana Rural Water Systems conference, as well as meeting one on one with community leaders.

   Please also refer to the project descriptions and discussion of set-asides provided in Section V: Details of DWSRF Activity.

Short-Term Goals

1. Continue implementation and maintain the Drinking Water State Revolving Fund Program in Montana.

   Since the approval of its DWSRF loan program and first capitalization grant award, Montana has been awarded eleven more capitalization grants, issued matching G.O. bonds, BANs, and RANs, utilized the provision to transfer funds between the WPCSRF and DWSRF, and generated other revenue from loan repayments and interest investments. The loan fund now totals over $122,570,892. Please see Appendix D

project list and location map.

2. To fund projects that address specific and immediate requirements of the SDWA, including the Disinfectant/Disinfection Byproducts, Long Term 2 Enhanced Surface Water Treatment, and Arsenic Rules. Montana anticipates funding at least two projects to address surface water treatment in SFY08.

   The anticipated projects for surface water treatment listed in the SFY08 IUP were for Essex Water & Sewer District and the City of Laurel. Both projects are in the preliminary engineering phase. The City of Laurel has applied for grants from other funding agencies and is awaiting decisions. One other loan was closed in SFY08 with Hill County Water District to address surface water treatment compliance.

3. To fund projects that promote regionalization and/or achieve consolidation of two or more existing public water supplies, thereby improving water quality. Montana expects to fund six consolidation projects in SFY08.

   Only two consolidation project loans were closed during SFY08 for the Upper/Lower River Road Water and Sewer District (Cascade Co) and Big Sky Water and Sewer District. Others are expected to close loans during SFY09 including Lorraine South WD, Lewis & Clark Co.-Woodlawn Park, Dry Prairie Regional Water System and North Central Regional Water System.

4. To fund projects that address replacement of aging infrastructure. Montana anticipates funding at least twelve projects of this type in SFY08.

   Eleven new projects were funded in SFY08 to replace aging infrastructure. These projects were the Town of Columbus, Gardiner-Park County Water District, Jette Meadows Water District (2 loans), the City of Kalispell, Lockwood Water and Sewer District (2 loans), City of Miles City (2 projects, 4 loans), the Town of Sheridan, Spring Meadows Water District, the City of Havre (2 loans), and the City of Whitefish.

5. To fund projects that develop system sustainability through financial capacity by refinancing existing debt. At least three refinancing loans are expected in SFY08.

   No loans were closed in SFY08 to refinance debt previously incurred by the communities to construct their water system improvements. However, several loans are anticipated in SFY09 for this purpose.

6. Ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities.

   The trained technical staff of the Planning, Prevention, and Assistance Division (PPAD) continues to use the DWSRF Handbook of Procedures and knowledge gained from many years of operating the WPCSRF Program to ensure that this objective is met. The Handbook of Procedures is used as a guide to ensure that all state and federal laws governing the technical aspects of each project are satisfied.

   Steps were taken to update the Handbook of Procedures and streamline checklists and processes. A final revised edition was submitted to EPA in September 2001. This project was completed in early SFY02. It was again reviewed and updated during SFY06.

   Staff attends training seminars and workshops to maintain and improve technical, financial, and programmatic knowledge. In SFY08, Anna Miller, Pam Smith, Janice Yearry, Tricia Schiltz, Diana Hoy, Mo Lee, Alice Stanley, Marc Golz and Bob Fischer attended the Council of Infrastructure Financing Authorities (CIFA) National Workshop; Anna Miller, Diana Hoy, Bob Fischer, Robert Ashton, Marc Golz

and Mark Smith attended the Montana Rural Water Systems Conference; Gary Wiens, Robert Ashton, Marc Golz, and Mark Smith attended the Montana AWWA Conference; Anna Miller, and, Mark Smith attended the CIFA Legislative Conference.

7. To provide outreach to communities and utilize the set-aside funding by:

   a. providing technical assistance to water supplies who request help with their system operation and maintenance procedures.

   b. providing financial and managerial assistance as part of capacity development education to those water supplies who request this type of help.

   c. assisting communities with the next phase of implementation of their Sourcewater/Wellhead Protection Plans.

   d. emphasizing that Public Water Supply Program (PWSP) staff perform sanitary surveys; facilitate SDWA compliance of the Long Term 2 Enhanced Surface Water Treatment, Stage 2 Disinfectant/Disinfection By-Products, Groundwater, and Arsenic Rules; and obtain SDWIS StateWeb 1 Release training.

   e. ensuring that 95 % or more of the state's community and non-transient non-community water systems continue to have certified operators.

   Please see discussion of individual set-aside activities and accomplishments beginning on page 18.

8. Ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment.

   See Appendix A: Cash Flow Model SFY08.

9. Ensure compliance with all pertinent federal, state, and local safe drinking water rules and regulations.

   To the best of our knowledge, the DWSRF program has ensured Public Water Supply Supervision (PWSS) compliance through the projects that have been funded and the various set-aside activities. Close coordination with the PWSS program has been essential in this effort.

   The only exception is the project for the City of Boulder, which was funded in SFY 2000. The community historically had copper exceedances and was out of compliance with the Lead and Copper Rule. Extensive distribution system replacement was intended to mitigate the problem. Additional evaluation and corrective action are being performed at this time. The City has hired an engineer, who prepared a Preliminary Engineering Report (PER), and is currently working on the design of treatment processes and equipment for the system. It's expected to be installed and operational by winter 2009.

IV. FINANCIAL REPORTS

The Montana Legislative Audit Division (LAD) has completed their audit work for SFY07. Financial statements were presented to the Legislative Audit Committee (LAC). An unqualified opinion was issued for the financial statements. A copy of the report was submitted to EPA Region VIII.

DEQ and DNRC engaged LAD to audit the State Revolving Fund financial activity beginning in SFY98. This decision was based on a new audit requirement conveyed in a directive from the Office of Water, Inspector General's Office, and the Office of Management and Budget.

The SFY08 un-audited financial statements, including footnotes are not yet finalized. They are normally included as Appendix B, but will have to follow this report. They are expected to be completed in the very near future. The SFY08 audit should be complete by May 2009.

V. DETAILS OF DWSRF ACTIVITY

A. LOAN ASSISTANCE

During SFY08 the DWSRF program closed eighteen loans; signed fourteen project binding commitment agreements; and increased two binding commitments. Eighteen new projects initiated construction and five previous projects were completed. The rate of construction with respect to fund disbursements at fiscal year end was approximately 94% ($114.9M in disbursements and $122.6M in loans). The overall fund utilization rate is approximately 80% ($122.6M in loans, $154.1M in available funds).

Project Bypass

If it is determined by DEQ that a project or projects are not ready to proceed or that the project sponsors have chosen not to use the Drinking Water SRF funds, other projects may be funded in an order different from that indicated on the priority list. If DEQ chooses to bypass higher ranked projects, it should follow the bypass procedure.

Montana by passed 102 projects on its Priority List with the funding of the Town of Columbus, ranked 120. Seventeen other loans were closed. The higher ranked projects were not ready to proceed at the time, or perhaps were being financed by other funding entities. They were by-passed to fund lower ranked projects that were ready to proceed with construction, or that had already been constructed and desired refinancing to improve financial capacity. Refer to Exhibit 3: DWSRF Capitalized Grant Closed Loans For SFY08 and Exhibit 4: DWSRF Recycled Closed Loans For SFY08. Notification was sent to all by-passed communities that described the proposed projects to be funded, and also included the assurance that funds were still available for all loan applications anticipated at that time. No responses were received. No emergency projects were funded in SFY08. The status of top individual projects on the priority list that were bypassed is discussed below.

1. Carter-Choteau Co. W&SD. The community applied for and received alternative state and federal grant funding, including Rural Development (RD). The project is under construction. To date, no application or other information has been submitted to the SRF Program.

2. Hill County WD. System has agreed to a compliance schedule with DEQ Enforcement Division, which includes developing another surface water source. An SRF loan for these improvements was closed in SFY08and they were also awarded a STAG grant. The project consisted of improvements to an alternate water source, which have been completed and placed in service. The district also plans to join the North Central/Rocky Boys Regional Water System when it is constructed in the future.

3. Town of Opheim. Project has been completed using alternative funding sources and was removed from the SFY09 SRF project priority list.

4. Eastview Acres HOA. Status of project unknown.

5. South Chester WUA. System has been negotiating compliance schedule with DEQ Public Water Supply Program. They are exploring alternative grant funding and have received some, but more funds are needed. They are also planning to join the North Central/Rocky Boys Regional Water System when it is constructed in the future.

6. Town of Kevin. Design plans for temporary treatment facilities have recently been approved by DEQ. A loan application is expected later in fiscal year 2009 or 2010 for permanent improvements.

7. Upper/Lower River Road W&SD. Project is being funded with SRF loans that closed in SFY06 and SFY08. Construction is complete and the improvements have been placed in service. They are applying for additional funds to begin Phase III improvements.

8. Butte-Silver Bow. Project is exploring alternative grant funding.

9. Piegan Border Station. Status of project unknown.

10. Essex. System has been negotiating compliance schedule with DEQ Public Water Supply Program. They are exploring alternative grant funding, and may also utilize SRF funding at a future date. They have received a planning grant from another state funding agency to assist them with preparing a preliminary engineering report (PER).

11. & 12. City of Three Forks. This project was completed late in SFY07 and can now be removed from the priority list. However, it has inadvertently been left on.

13. Town of Stevensville. System has prepared a preliminary engineering report (PER), and is pursuing grant funding for a portion of the project, but also still intends to utilize SRF funds. Construction is anticipated in 2009.

14. Town of Jordan. The community has obtained alternate funding sources and the project is under construction.

15. City of Kalispell. This project was previously constructed and later refinanced with an SRF loan in SFY07. It can now be removed from the priority list.

16. Rocky Boys/North Central Regional Water System. Construction has started on this project utilizing other sources of funding, and it is anticipated that an SRF loan may be closed sometime during SFY09.

17. Dry Prairie Regional Water System. It is expected that another SRF loan will be closed in SFY09 to begin work on the next phase of this project.

18. & 20. City of Helena. This project started construction and closed an SRF loan late in SFY07. Construction of the project has been completed and the facilities are in operation.

19. Lockwood Water District. The project closed SRF loans in SFY06 and SFY08. Construction completion is expected in October, 2008.

Disadvantaged Communities

Communities seeking a Drinking Water SRF loan that meet the disadvantaged community criterion described in the Intended Use Plan may receive an additional subsidy on their SRF loans, beyond the standard below-market rate financing. This includes communities that will meet the disadvantaged criterion based on projected rates as a result of the project.

In SFY08, Montana closed seven loans and two Bond Anticipation Notes (BAN) at a 2.75% interest rate, for a total amount of $3,744,637. Two other loans totaling $4.4 million were closed at a 3.75% interest rate, but with a 30 year term. No other communities satisfied the disadvantaged criteria. In SFY09 we will have several loans with communities that may qualify for the disadvantaged interest rate.

Small Systems

The table below shows the breakdown of the population served by our loans in SFY08. We had a total of eighteen loans for a total of $17,668,637. Sixteen of these loans are with small systems that serve a population of less than 10,000 people. Small systems represent 63% of the loans made in FY08**.**

Public Water Supply	**Population**	**Loan Amount**
1. Big Sky	11,076	$5,000,000
2. Columbus	1,892	$110,000
3. Gardiner	500	$125,000
4. Havre III A	1,721	$500,000
5. Havre III B	1,721	$956,000
6. Hill County	1,700	$758,000
7. Jette Meadows	300	$44,477
8. Jette Meadows	300	$300,000
9. Kalispell	17,381	$1,500,000
10. Lockwood	5,983	$500,000
11. Miles City II A	8,487	$500,000
12. Miles City II B	8,487	$2,200,000
13. Miles City III A	8,487	$500,000
14. Miles City III B	8,487	$2,200,000
15. Sheridan	699	$423,000
16. Spring Meadows	200	$309,000
17. Upper Lower River Road (BAN)	327	$843,160
18. Whitefish	7,800	$900,000
TOTAL		**$17,668,637**

Projects Provided Funding

Following is a brief summary of the projects that began or continued activity during SFY08:
(Photos courtesy of SRF Program Staff.)

TOWN OF BIG SANDY

The Town of Big Sandy refinance loan is for the construction of a treatment building, installation of chlorination equipment, and meters for individual service lines. The loan was closed on January 8, 2007 and the final loan amount was $349,377. The town qualified as a disadvantaged community and received a lower interest rate of 2.75%. The project is completed and helps Montana meet its intended use plan goals of protecting public health by helping communities deliver better quality water and also comply with the SDWA Total Coliform Rule.

BIG SKY COUNTY WATER AND SEWER DISTRICT #363

The Big Sky County WSD construction and engineering loan funded a water main installation project, refinanced the construction of two new wells, and included water main replacements for part of the system. The project installed a new water main to consolidate 2 separate parts of existing water systems that are under common ownership and operation. This allows excess water from one part of the system to be transferred to another part of the system that was lacking in capacity. The $5 million loan was closed on August 17, 2007. Construction is on-going and should be complete in the fall of 2008 or spring of 2009. The project helps Montana meet its intended use plan goals by consolidating systems, utilizing existing supplies more efficiently and replacing undersized and deteriorated mains to improve water pressure and minimizing stagnant water.

CITY OF BILLINGS

The City of Billings construction loan funded two projects at the water treatment plant. One project rehabilitated the filter building, filter controls and piping including construction of four new filters – all for surface water treatment. The second project replaced the existing maintenance building with a new maintenance building. The authorized loan amount is $17,300,000 and the loan closed on December 21, 2005. Both projects are complete and the final disbursement has been made. These projects helped Montana meet its intended use plan goals by protecting public health through rehabilitating old filtration equipment, filter structures and the filter building – allowing for improved reliability of the treatment system and better treatment of surface water. Also, the old maintenance building was replaced with a new building and facilities to allow better maintenance of water system equipment.

TOWN OF COLUMBUS

The Town of Columbus drew $110,000 for the drilling of a new well to augment water supply from the town's two existing wells. The drilling operation began in September 2007 and was completed in November 2007. When the well house and disinfection facilities are completed and connected to the town's water system in late 2008, the new water source will enhance system capacity and increase the quantity of water supply to the town.

GARDINER-PARK COUNTY WATER DISTRICT

The Gardiner-Park County engineering and construction loan funded the design and construction of replacement water mains. The project included the replacement of a water main that was in imminent danger of failure. Failure of the water pipe would likely have caused failure of an adjacent sewer pipe allowing raw sewage to flow into the Yellowstone River. The authorized loan amount is $125,000. The project is complete, but the remaining balance of $23,580 has not been drawn. The final draw is expected to be made in the first quarter of FFY 2009. This project helps Montana meet its intended use plan goals of protecting public health by reducing the risk of failure of a public water supply main serving Gardiner Montana. The project also proactively addressed risks to the environment.

CITY OF HAVRE

WRF Loan 08-106 is the first $500,000 loan using recycled funds for the Havre US Hwy 2 water system improvements project. This loan is the disadvantaged portion of the total project loan for water system improvements to be used by the City of Havre to reimburse the Montana Department of Transportation. The funds pay for replacement of water system piping, valves, fitting and other appurtenances within the US Hwy 2 corridor while that section of State highway is being replaced. Much of the water line in this section is being replaced with iron pipe fitted with nitrile gasket materials due to contaminated soils within the project corridor. This portion of the loan funds made available to the City of Havre for this project has been fully released during State Fiscal Year 2008.

WRF Loan 08-117 is the second loan to the City of Havre in the amount of $956,000 at the standard interest rate for the Havre US Hwy 2 water system improvements project. The funds pay for replacement of water system piping, valves, fitting and other appurtenances within the US Hwy 2 corridor while that section of State highway is being replaced. Much of the water line in this section is being replaced with iron pipe fitted with nitrile gasket materials due to contaminated soils within the project corridor. Two loan payments were approved for this loan during SFY 08 in the amount of $92,037. Work on this project is projected to be complete in late 2008. This project helps Montana meet its intended use plan goals of protecting public health by replacing aging infrastructure.

CITY OF HELENA

The City of Helena drew $2,080,072 of $2,750,000 committed for the upgrading of facilities at the Missouri River Water Treatment Plant. The project includes a new clearwell and pump station improvements for the purpose of improving capacity at the plant and shifting reliance away from the city's aging Tenmile Water Treatment Plant. Construction began in March 2007 and is expected to be completed in 2008. The new facilities will enhance system capacity by allowing better use of the Missouri River raw water source, which has consistent water quality and reliable quantity.

HILL COUNTY WATER DISTRICT

The Hill County Water District drew $723,998 of $758,000 committed for the upgrading of the Marias River source to serve as the primary water source for the entire district. The work, which included new pumps and ultraviolet disinfection facilities, was placed in service in December 2007. The new facilities enabled the district to comply fully with the requirements of state and federal regulations.

JETTE MEADOWS LAKE COUNTY WATER AND SEWER DISTRICT

The Jette Meadows Lake County Water and Sewer District construction loan funded design and water

system improvements including installing an 8-inch public water supply well, constructing a meter manhole, installation of approximately 1,570 feet of 6-inch water transmission main, connection to the existing distribution system and all associated pumps, valves and controls. The project was funded using a $50,000 DWSRF BAN loan and a subsequent $300,000 DWSRF loan. The Jette Meadows water system has a history of water shortages. Even with water restrictions in place users have low pressure and or no water at times during the summer. Project construction started in the fall of 2007 and was completed in the spring of 2008 with all components of the project operational by July 2008. Submittal of all final paper work including the final pay request is expected in the fall of 2008. This project helps Montana meet its intended use plan goals by ensuring the technical integrity of the project, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project also addressed public health protection by increasing the quantity of drinking water to the Jette Meadows Subdivision.

CITY OF KALISPELL

The City of Kalispell drew $1,500,000 committed for the construction of a new concrete water storage tank, water transmission main and a well building at the West View well site. Completion of the new reservoir is expected by the end of 2008. The new water source and storage reservoir will enhance system capacity and increase the quantity of water available to the residents of Kalispell.

LOCKWOOD WATER AND SEWER DISTRICT

The Lockwood Water and Sewer District received $242,005 of the $500,000 loan that financed at the disadvantaged interest rate of 2.75 percent to construct a new mid-zone booster station, a new irrigation channel intake in the Lockwood Irrigation District outlet channel and a new backup power generator at the water treatment plant. Construction began in April 2008 and will be completed by the end of the calendar year. This project will enhance the district's ability to comply with state and federal regulations governing the supply of drinking water to its residents.

CITY OF MILES CITY

The City of Miles City drew $2,159,113 of $5,400,000 committed for the construction of two projects. The first project replaced water mains in the northeastern sector of the city with a 6-inch diameter distribution matrix, provided additional looping in five other areas and upsized a 12-inch transmission main in McKenzie Street. The second project is the replacement of the existing water tank on Carbon Hill with a new storage reservoir. Completion of the new reservoir is expected in spring of 2009. The projects will help Montana meet its intended use plan goals by assuring the continued delivery of a reliable and safe supply of drinking water to the residents of Miles City.

CITY OF PLENTYWOOD

The City of Plentywood construction and engineering loan funded a water main replacement project. This project replaced existing water mains, hydrants and valves that were undersized or otherwise in need of replacement. The project was done to reduce leakage from the water system prior to the future connection to The Dry Prairie Regional Water System. The initial loan of $500,000 was closed on October 19, 2005. Construction began in the spring of 2006 and an additional loan of $500,000 was made July 5, 2006. Most of the work was done with pipe bursting and the system was operational by August 14th, 2006. As-built drawings and operation and maintenance manuals where received in 2007 with a final loan payment made in September 2007. This project helped Montana meet its intended use plan goals by replacing undersized and deteriorated mains and improving water pressures and minimizing water loss.

POWER-TETON COUNTY WATER AND SEWER DISTRICT

The Power-Teton County Water and Sewer District construction loan (Phase II) funded design and construction of a new 150,000-gallon steel water storage reservoir, replacement of water mains, hydrants and valves, and the construction of a lined pre-sedimentation basin at the existing water treatment plant. The project also included the installation of new finish water pumps and telemetry. The project was funded using a $375,000 DWSRF Loan. The old pre-sedimentation basin was unable to provide quality influent water to the treatment plant and the old water storage reservoir required booster pumps to provide system pressure. Construction began in July 2005 with the majority of work completed by November of 2005. All components of the project are on-line and providing the community with quality water and increased fire protection. All of the required final paper work has been received and the final loan disbursement was made in July 2007. This project helps Montana meet its intended use plan goals by ensuring the technical integrity of the project, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project addressed public health protection by increasing the quality and quantity of drinking water to the community of Power, Montana.

TOWN OF RICHEY

The Town of Richey loan financed the emergency replacement of a failed concrete water storage reservoir with a 100,000-gallon bolted steel tank. In August, 2006, an engineering investigation determined that extensive leakage in the community's 75-year old storage reservoir was irrepairable. The Town applied for emergency grants as well as a DWSRF loan to finance the $180,000 project. The project was designed and tank construction was completed in January, 2007. Additional security features including chain link fencing was added, and the project was completed in July, 2007. Funding sources included $45,000 from DWSRF and $135,000 in emergency grants from the Montana Departments of Natural Resources and Conservation and Commerce. This project helped Montana meet its intended use plan goal of protecting public health by replacing aging infrastructure and providing a small community the financing for an updated and efficient storage facility.

CITY OF SHELBY

The City of Shelby construction loan (Phase II) funded design and construction of a new municipal water supply well and well house. The project also included improvements to the well field transmission mains. This work included drilling a replacement well for City Well #4 that was under the influence of surface water. Several transmission mains were replaced to improve water supply and reduce the threat of infiltration. The project was funded using a $709,000 DWSRF Loan (recycled funds). The City of Shelby's water system was threatened with potential water contamination from Well No. 4 being under the influence of surface water and the well field and transmission mains existing within the floodplain of the Marias River. Construction began in fall of 2005 and was completed in the spring of 2006. In August 2008 all of the final paper work was submitted and the final loan disbursement was processed. The new Well No. 4 and the UV disinfection equipment installed in Phase I are

operating and providing Shelby with quality drinking water. This project helps Montana meet its intended use plan goals of ensuring the technical integrity of the project, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project also addressed public health protection by increasing the quality of drinking water to the City of Shelby, Montana.

TOWN OF SHERIDAN

The Town of Sheridan loan funded the design of water system improvements including water main replacement, addition of a new municipal water supply well, and addition of a new 80,000 concrete water storage reservoir. The existing water distribution system is old and severe leakage from the system has been documented. The existing water supply relies on only one well field and the current storage capacity is unable to meet system demands. The water main replacement portion of the project started construction in the fall of 2007 and reached substantial completion in June 2008. The remainder of the project construction is expected to start in the spring of 2009. The project was funded using a $167,622 DWSRF BAN loan and a subsequent $423,000 DWSRF loan. This project helps Montana meet its intended use plan goals by ensuring the technical integrity of the project, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project also addressed public health protection by increasing the quality and quantity of drinking water to the Town of Sheridan, Montana.

SPRING MEADOWS COUNTY WATER DISTRICT

The Spring Meadows County Water District loan financed the construction of a replacement well, a 150,000-gallon bolted steel on-grade water storage reservoir, boost pump station improvements, water meters at all service connections, and minor distribution system improvements including looping and the installation of four new fire hydrants. The replacement well and the storage facility were required to meet both pressure and quantity requirements for the 64-hookup subdivision in Missoula County. The total loan amount is $309,000 of which $306,937 has been drawn. The project is complete, and the engineer is in the process of finalizing project closeout documents.

UPPER/LOWER RIVER ROAD WATER AND SEWER DISTRICT

The Upper/Lower River Road Water and Sewer District received $189,580 of the $843,160 BAN, financed at the disadvantaged interest rate of 2.75 percent, to provide municipal water service to the second of the district's improvement areas. Construction began in March 2008 and was completed in June 2008. This project provides municipal water service to an additional 327 residents previously reliant on groundwater of questionable quality. This project will enhance the district's ability to comply with state and federal regulations governing the supply of drinking water to its residents.

CITY OF WHITEFISH

The City of Whitefish IV loan provided financing for the construction of a second connecting water main looping the north and south sections of the City's public water system. The looping project involves approximately 4,000 lineal feet of 18" PVC water main and includes a 400' ling by 30" diameter auger bored crossing of a large railroad yard in Whitefish. In addition to this connecting main, a previous project a half mile west of this project location included an 1800' long by 18" diameter loop, thus providing adequate flows, stable pressures, and redundant connections between Whitefish's south side and north side, where the water treatment plant is located. The total loan amount is $900,000, all of which has been disbursed. The project is complete, and closeout documentation has been received from the engineer and filed.

WORDEN-BALLANTINE YELLOWSTONE CO. WATER AND SEWER DISTRICT

The Worden-Ballantine Yellowstone Co. Water and Sewer District construction loan (Phase I and Phase II) Phase I funded design and installation of a new concrete water storage reservoir, replacement of water mains, hydrants and valves, and improvements at the existing water infiltration gallery overflow and booster pump station, telemetry and controls. Phase II of the project included the design and construction of a new municipal water well, well house and transmission main. The project was funded using a $500,000 DWSRF Loan that closed in May 2005. A second DWSRF Loan for $368,000 was closed in August of 2005. Worden-Ballantine WSD's sole source of water was an agricultural drain, which was susceptible to backflow from a creek at the outfall. The distribution was undersized in places with hydrants attached to 4-inch mains. Also, the existing elevated storage reservoir contained less than half an average day's water demand. The new storage reservoir, municipal water well, mains, pumps, and overflow airbreak are operational and providing Worden and Ballantine with quality drinking water. Phase I final inspection, completion certification and final loan draw was completed in August 2005. Final inspection of Phase II was completed in the summer of 2006. In July 2008 all of the final paper work was submitted and the final loan disbursement was processed This project helps Montana meet its intended use plan goals by ensuring the technical integrity of the project, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project also addressed public health protection by increasing the quality and quantity of drinking water to the communities of Worden and Ballantine, Montana.

Summary of Loan Assistance:

A tabulation of aggregate information can be found in Exhibit 5, History of DWSRF Binding Commitments. This table tabulates the quarterly federal payments, totals quarterly SRF binding commitments and cumulative binding commitments, and calculates Montana's achievement of its 100% binding commitment grant condition. In fiscal year 2008, the DWSRF maintained steady performance by executing project commitment agreements. The DWSRF completed SFY08 with binding commitments totaling 163.61% based on grant payments received

four quarters earlier. We project in SFY09 that we will execute in excess of $9,592,000 in binding commitments. See Exhibit 6: DWSRF Projected Binding Commitments SFY09.

B. FIRST-ROUND FUNDED LOANS:
First-Round loans are financed with capitalization grants and state match. The DWSRF has financed the projects listed in Exhibit 3: DWSRF Capitalized Grant Closed Loans for SFY08.

C. RECYCLED FUNDED LOANS:
Recycled loans are financed with loan repayments from first round money and funds from transfers from the WPCSRF program. The DWSRF has financed the projects listed in Exhibit 4: Recycled Closed Loans For SFY08. There were five loans made that used recycled funds in SFY08.

D. SOURCE OF FUNDS:
Two sources of funds are used to capitalize the DWSRF: (1) the Federal Capitalization Grant, which provides 80% of the DWSRF loan funds; and (2) the state match, funded through the sale of GO bonds, which provides 20% of the DWSRF loan funds. State legislation originally authorized the sale of up to $10 million in GO bonds to match federal grant funds. In the 2003 Legislative session, an additional $10 million of GO bonds was authorized for state match bringing the total authorized to $30 million. This amount is adequate to cover funds currently authorized for the program. $14,795,000 of GO bonds, plus a $1,000,000 RAN and a $500,000 BAN, for a total of $16,295,000 have been issued by the DWSRF program to use as state matching funds through SFY08. See Exhibit 1: Sources of DWSRF Funds through SFY08. In SFY 08 in-kind services of $-0- have been provided to the DWSRF program by DNRC as match to federal grant funds and were used for program administration. Also, $11,282,486 of funds, have been transferred from the WPCSRF to the DWSRF for loans to date. See Exhibits 7 and 7A for a history of transferred funds between the two SRF programs.

The State of Montana adds a Loan Loss Reserve and an Administrative surcharge to its interest rate. The Loan Loss Reserve funds are used to fund the Required Reserve for the Drinking Water program bonds issued. Amounts over that required reserve are transferred to the principle account to be used for loans. The Administrative surcharge is used to fund administrative program costs not covered by the capitalization grants.

<u>SFY 2008</u>

Loan Loss Reserve funds collected: $683,478.20

Loan Loss Reserve funds transferred to Principle Account: $720,991.53

Administrative funds collected: $604,674.63

E. FEDERAL FUNDS DRAWN BY THE PROGRAM:
Exhibit 8, SFY08 Summary of Drinking Water SRF Letter of Credit to ASAP Draws shows thirty two disbursement requests totaling $6,372,812, thirty two administrative set-aside disbursement requests totaling $296,660, and one hundred three non-administrative set-aside requests totaling $1,073,550. The total federal draws for SFY 08 were $7,743,022.

F. SET – ASIDES
DWSRF Budget and Draws by Set-Asides displays the financial summary of these non-project activities, see Exhibit 9. In addition, DEQ is required to provide a 1 to 1 match for the State Program Management set-asides, which includes Public Water Supply Administration, Source Water Protection, Operator Certification, and Capacity Development. Up to one half of this match may come from expenditures made in 1993. Exhibit 10 summarizes the 1 to 1 match for SFY08. All of the set-aside activities for the year are discussed below.

DWSRF ADMINISTRATION

The DWSRF sets aside the maximum four percent from the capitalization grants for program administration. DEQ's contract with DNRC and other activities that occurred were:

- review and assistance during planning, design, project bidding and construction
- loan origination work, administering repayments
- preparation of bond issuance with state's bond counsel firm of Dorsey & Whitney
- financial modeling
- DWSRF program audit
- costs associated with the legislatively appointed advisory committee
- public comment processes

SMALL SYSTEMS TECHNICAL ASSISTANCE

Montana has set aside 2% (the maximum allowed) of its FFY97, FFY98, FFY99, and FFY03 Drinking Water State Revolving Loan Fund grants for small systems technical assistance. In addition, the DEQ has reserved authority for the 2% allocation from the FY00 and FY01 grants. No additional funds were set aside from the FY 02 grant. An additional $135,000 was set aside from the FY 04 grant, a $125,000 from the FY 05 grant, $20,000 from the FY 06 grant, and $95,000 from the FY07 grant and $90,000 from the FY08 grant for a total of $1,178,226.

This set-aside is used for contracted services and administration of contracts to meet Montana's goal of providing technical assistance to water supplies with their system operation and maintenance procedures. A contract was awarded in 1999 to Midwest Assistance Program (MAP) of Montana to provide operation and maintenance technical assistance. The O&M TA contract was re-bid in 2005 and was again awarded to MAP. Since implementation, the contractor has made over 1,110 site visits to small public water supplies for a total cost of approximately $1,011,000. Evaluations of this service, conducted annually by DEQ, indicate the program is successfully helping small public water suppliers to effectively maintain and operate their water systems. Contracted technicians help water system operators develop or enhance technical capabilities that assist them in meeting the capacity development requirements of the 1996 amendments to the Safe Drinking Water Act.

An evaluation of the contract by DEQ DWSRF staff in May and June 2008 determined that the contract should be continued. The contract was renewed for state fiscal year 2009 (July 2008 through June 2009). The contracted services are provided to systems serving a population of 10,000 or less. Approximately 0.05 FTE is needed to provide contract oversight related to this set-aside.

PUBLIC WATER SUPPLY SUPERVISION SET-ASIDE: ADMINISTRATION

This set-aside funded salaries, benefits and operating expenses fund all or part of 15.5 FTE water quality specialists that have been assigned to the Helena, Billings and Kalispell Offices, respectively. The positions were funded through the set-aside grant for SFY07 & 08. These positions provided technical assistance to water suppliers, perform sanitary surveys, and operator training. These positions also provided direct assistance to water suppliers in implementation of the Lead and Copper Rule, Phase 2/5 rules, Total Coliform Rule, Consumer Confidence Report Rule, Enhanced Surface Water Treatment Rules, Filter Backwash Rule, Disinfection/Disinfection By-Products Rule, Radionuclides Rule, and the state's ground water chlorination rule. The set-aside also funded database development expenses associated with implementation and maintenance of SDWIS/state database, associated state-specific Oracle modules, and contracted sanitary surveys for public

water supplies. All of these activities helped the PWSS Program achieve its over all goal of facilitating SDWA compliance by public water systems.

PWSS Source Water Protection (SWP)

Section 1452(g) (2) (B) of the SDWA allows Montana to set aside a portion of the capitalization grant to "administer or provide technical assistance through source water assessment programs." Set-aside funds were used in State FY08 to administer the Source Water Protection Program and to provide technical assistance to local communities in the development of source water protection plans.

The specific goals achieved established in the Intended Use Plan and set-aside work plan in State FY08 were:

- The spatial data clearinghouse was provided with updated datasets.
- Section staff participated in DEQ organized training events as presenters on source water protection issues at each spring, summer, and fall water schools.
- Section staff maintained an Internet page to provide access to information that are important to understanding public water systems, ground water, and source water protection. SWP Section staff provided several articles for the biannual PWS Operator newsletter entitled *"The Montana Clearwater*".
- Section staff published source water assessment reports on a weekly basis.
- Section staff authored or provided significant input in the development of several source water assessment reports for new PWS sources. These were limited to non-profit PWSs (churches) and workload was 5 reports during the year.
- Section staff provided technical support to a non-profit technical assistance provider relating to source water protection plan development (Montana Rural Water). Six protection plans were reviewed with edits returned to MRWS. Protection plans were finalized. A cooperative source water protection plan development project was started with MRWS, City of Hamilton, and the Ravalli County Environmental Health Department. The first major activity occurred which was a household hazardous waste collection day and related public education event through event advertising. The project will continue into SFY09.
- Section staff began working on SWP program indicators in SFY07 and continued in SFY08. The focus is to maintain a database with sufficient information to be able to assess the percentage of PWSs that are substantially implementing Source Water Protection and to simplify reporting to EPA.

CAPACITY DEVELOPMENT

The 1996 Amendments to the Safe Drinking Water Act allow states to use SRF funds to establish authority to enforce capacity requirements and to implement a capacity development strategy. This ensures that all new and existing community and non-transient non-community public water supply systems have the necessary technical, financial and managerial capability to comply with all of the primary requirements of the SDWA. EPA also requires that systems demonstrate adequate capacity in these areas as a condition of approval for Drinking Water SRF loans.

The state could have lost substantial portions of initial capitalization grants if it did not develop and implement strategies to assist existing water systems with capacity development. DEQ avoided the first of these withholding provisions by obtaining approval in 2000 of the state's Capacity Development Strategy for Existing Public Water Supply Systems. Subsequent withholding provisions of future capitalization grants can be avoided by adhering to the approved strategy and complying with the requirements for reporting capacity development improvements to the EPA.

The strategies are a methodology used to identify and prioritize public water systems in need of improving

technical, financial, and managerial capacity (a complete copy of the capacity development strategies can be obtained from DEQ). Part of these strategies includes providing assistance to those systems by use of the set-aside funding. The state of Montana has over 1900 public water supplies. Given the large number of systems and a shortage of staff with the requisite financial and managerial experience, the department has chosen to provide these services through a contractor. The department entered into a contract with the Midwest Assistance Program (MAP) in March 2001 to provide these assistance services. Since then, MAP has provided in-depth financial and managerial services to 147 different public water systems. During SFY08, MAP spent 1157 hours performing 136 site visits at a cost of approximately $74,300.

In March 2006 a new request for proposals was issued and the Midwest Assistance Program was again selected to provide financial and managerial assistance services. This new contract, which took effect in July 2006, may be renewed annually, at the discretion of DEQ, for up to a total of seven years.

These activities achieved the outputs specified in the state's intended use and set-aside work plans by providing assistance to public water systems in need of financial and managerial support. The success of these efforts is documented by the summary reports submitted by the contractor and the consistently favorable response to questionnaires sent to public water systems receiving aid.

PWSS OPERATOR CERTIFICATION

This set-aside has been used for personal services and operating expenses for staff in the Operator Certification Program. Set-aside funds are used to pay portions of the salary and benefits for all three full-time staff positions, as well as program operating expenses.

In the past year, the program has approximately 2037 certified operators, including operators for approximately 678 community systems and 251 non-transient non-community systems. These water and wastewater operators hold over 3,695 certifications. Certification program activities include public outreach, collection and processing of applications, collection and processing of examination and certification fees, training, administration of exams, monitoring of continuing education credits, compliance monitoring, and assistance with formal enforcement activities. Over 96% of the public water supply systems in each category have properly certified operator, which achieves Montana's IUP goal of 95%.

The Certification Program Manager sent the draft program to EPA Region VIII and Headquarters in October of 1999 and the program was formally approved in December 2000. The latest approval of Montana's Operator Certification Program annual submittal package was received from EPA on October 5, 2005. Positive feedback for the program has been received from both EPA Region VIII and Headquarters.

The DEQ requested and received approval for spending authority from the 2001 state legislature for very small water system expense reimbursement grant funding. EPA approved the grant application, and the reimbursement program began making reimbursements in October of 2002. Expenses associated with mandatory training expenses incurred after July 1, 2002 are eligible for reimbursement. EPA has granted an extension of the funds through June 30, 2010 and is currently reviewing the revised work plan.

The department is in the third year of standardized water exams through the Association of Boards of Certification (ABC) water treatment and water distribution examinations. The Department recently awarded a contract to create standardize training modules for exam prep training for operators to be used by staff and TA providers assisting in training. The Department will continue to track progress and evaluate statistical data to ensure that the program administers valid, comprehensive, and fair examinations.

Local Assistance and Other State Programs - Source Water Delineation and Assessment and Wellhead Protection

Implementation of the Montana SWP Program continued in SFY08 through the completion of source water assessment reports for public water supplies by DEQ staff.

The specific goals achieved established in the Intended Use Plan and set-aside work plan in State FY08 were:

- Sixty-eight new PWS drinking water sources were developed. Source water assessments were reviewed for each of these new drinking water sources.
- Section staff participated in DEQ organized training events as presenters on GW Basics at each spring, summer, and fall water schools.
- Section staff completed 60 sanitary surveys and verified PCS inventories, and
- SWP packets were provided to local governments across the state including county commissioners, county planning offices, county health departments, and county disaster service offices. The intent was to inform decision makers and first responders of public water systems within their jurisdictions.

The specific goal that was not fully achieved established in the Intended Use Plan and set-aside work plan in State FY08 was:

- Develop SWP Implementation Grant/loan program criteria for local governments. Some progress was made in developing the concept but the details are yet to be worked out. We intend to assess the progress by other states (eg. Oregon, Idaho) with their SWP Grant Programs before setting up a Montana version.

VI. GRANT CONDITIONS AND CERTIFICATIONS

The State of Montana agreed to the following conditions outlined in the Operating Agreement. These items are discussed in more detail throughout the body of this report. To the best of our knowledge, DEQ and DNRC have abided by all requirements of state and federal law in the administration of this program.

(a) Assurance that the State has the authority to establish a Fund and operate the DWSRF program in accordance with SDWA.

The State of Montana's authority was re-certified and included with our application for and award of the FFY08 capitalization grant.

(b) Assurance that the State will comply with State Statutes and regulations.

(c) Assurance that the State has the technical capability to operate the program.

(d) Assurance that the State will accept capitalization grant funds in accordance with a payment schedule.

Please see Exhibit 9: Drinking Water State Revolving Fund Fiscal Year 2008 Budget v. Draw by Category.

(e) Assurance that the State will deposit all capitalization grant funds in the Fund or Set-Aside Account.

(f) Assurance that the State will provide an amount equal to at least 20 percent of the capitalization grant (State match) in the Fund.

(g) Assurance that the State will deposit net bond proceeds, interest earnings, and repayments into the Fund.

(h) Assurance that the State will match capitalization grant funds the State uses for 1452(g)(2) set-asides.

(i) Assurance that the State will use Generally Accepted Accounting Principles.

(j) Assurance that the State will have the Fund and set-aside account audited annually in accordance with Generally Accepted Government Auditing Standards.

Please see Appendix B.

(k) Assurance that the State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments (or in the case of privately owned system, demonstrate that there is adequate security).

(l) Assurance that the State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner.

(m) Assurance that funds will be used in accordance with the Intended Use Plan.

Please see Appendix C: Drinking Water SRF Intended Use Plan and Project Priority List, SFY 2008.

(n) Assurance that the State will provide EPA with an Biennial Report.

The submission of this document will fulfill the State of Montana's responsibility to submit a report.

(o) Assurance the State will comply with all Federal crosscutting authorities.

(p) The state agrees that it will conduct an environmental review and a determination will be executed and distributed using a state process consisting of the same level of environmental detail required under the state Environmental Review Process for the Drinking Water SRF Program.

All construction projects that received assistance during SFY08 were reviewed and approved using the Montana Environmental Policy Act (MEPA). It was determined that no Environmental Impact Statements were necessary. An Environmental Assessment was prepared and a Finding of No Significant Impact was issued for all projects.

(q) The use of set-asides for Administrative Expenses, Small Systems Technical Assistance, State Program Management (Public Water Supply Supervision, Source Water Protection, Capacity Development, and Operator Certification), Local Assistance and Other State Programs (Source Water Delineation) will be identified each year in the IUP and established in accordance with the Drinking Water SRF Program Guidelines.

(r) Specific Requirements under Title XIV

1. In accordance with Section 1420(a) of the Safe Drinking Water Act, the state has the authority to ensure that all new community water systems and new non-transient, non-community water systems commencing operation after October 1, 1999, can demonstrate technical, managerial, and financial capability with respect to each national primary drinking water regulation in effect.

   EPA has reviewed and approved Montana's capacity development authority and strategies. Administrative Rules that implement Montana's strategies became effective on September 10, 1999.

2. The state currently has a water and wastewater treatment plant operators certification program within the Permitting and Compliance Division, Department of Environmental Quality.

In addition, the following conditions were given with the Capitalization Grant Award. To the best of our knowledge, DEQ and DNRC have abided by these requirements as well.

- The recipient agrees to ensure that all space for conferences, meetings, conventions, or training funded in whole or in part with Federal funds complies with the Hotel and Motel Fire and Safety Act of 1990.

- EPA Order 1000.25 Recycled Paper-DEQ is using recycled paper for printing reports to be delivered to EPA.

- Minority Business Enterprises/Women Business Enterprises (MBE/WBE) Utilization Under Federal Grants – During SFY08 loan recipients were required to comply with all Federal requirements concerning Disadvantaged Business Enterprises (DBE) Utilization either by project specification or submitting appropriate reports during construction.

- The state's fair share goal for DBE participation is 5% for SFY08 (2% MBE, 3% WBE). Refer to Exhibit 11 for the summary of the DWSRF Loans-MBE/WBE for contracts awarded during SFY08.

VII. CURRENT STATUS AND FUTURE ACTIVITIES

The DWSRF continues to use US Bank as its trustee to manage funds and accounts established under the program. To date this arrangement has been very beneficial. DNRC has internet access to US Bank accounts, which has made monthly reconciliation of WPCSRF and DWSRF accounts more timely. D.A. Davidson and Co. and Piper Jaffray Inc. continue to act as the DWSRF bond underwriters and financial advisors. Dorsey & Whitney will continue to act as DWSRF bond counsel for the general obligation bonds issued in future fiscal years.

DEQ has completed work on the project database, which may ultimately include links with the DWSRF, the PWSS program, and fiscal services in both DEQ and DNRC. The DEQ's Technical and Financial Assistance Bureau has 0.05 FTE budgeted for maintaining the WPCSRF and DWSRF databases. This person serves as liaison between SRF program staff and DEQ's data processing and IT staff. The databases again facilitated federal reporting during SFY 08.

The following schedule indicates the key dates for continuation of the Drinking Water State Revolving Fund Loan Program in SFY09:

SFY09 ESTIMATED KEY DATES	**ACTIVITY**
August 2008	Held DWSRF bi-monthly meeting
October 2008	Hold DWSRF bi-monthly meeting
October 2008	Attend Fall CIFA Conference
December 2008	Attend EPA Region 8 All States Meeting
December 2008	Hold DWSRF bi-monthly meeting
February 2009	Hold DWSRF bi-monthly meeting
Spring 2009	Hold infrastructure financing workshops to promote and market DWSRF program
April 2009	Hold DWSRF bi-monthly meeting
May 2009	Attend Spring CIFA Conference

VIII. GLOSSARY OF ACRONYMS AND INITIALIZATIONS

ASAP	Automated Standard Application for Payments
AWWA/MWEA	American Water Works Association/Montana Water Environment Association
BAN	Bond Anticipation Note
CIFA	Council of Infrastructure Financing Authorities
DBE	Disadvantaged Business Enterprises
DEQ	Montana Department of Environmental Quality
DNRC	Montana Department of Natural Resources and Conservation
DWSRF	Drinking Water State Revolving Fund
EPA	Environmental Protection Agency
FFY	Federal Fiscal Year (which begins October 1 and ends September 30)
GAN	Grant Anticipation Note
GO	General Obligation
IUP	Intended Use Plan
LT2ESWTR	Long Term 2 Enhanced Surface Water Treatment Rule
LAC	Legislative Audit Committee
LAD	Legislative Audit Division
MBE	Minority Business Enterprises
MPDES	Montana Pollution Discharge Elimination System
NPS	Non-point Source
NMP	National Municipal Policy
PPAD	Planning, Prevention and Assistance Division
PPL	Project Priority List
PWSS	Public Water Supply Supervision
RAN	Revenue Anticipation Note
RSID	Rural Special Improvement District
SDWA	Safe Drinking Water Act
SFY	State Fiscal Year (which begins July 1 and ends June 30)
SID	Special Improvement District
SDWIS	State Drinking Water Information System
SWP	Source Water Protection
TFAB	Technical and Financial Assistance Bureau
TSEP	Treasure State Endowment Program

W_2ASACT	Water, Wastewater and Solid Waste Action Coordinating Team
WBE	Women Business Enterprises
WPCSRF	Water Pollution Control State Revolving Fund

Exhibit 1: Sources of DWSRF Funds Through SFY 08

Grant Number, Award Date & Year Funds Appropriated	State Fiscal Year Activity	Cap. Grant Amount	Projected State Match	Project Commitments by Fiscal Year		Actual State Match GO Bonds Issues	Other State Match
1) FS-998850-97 6/30/98; 1997	1998	$ 14,826,200	$ -	$ -			
No Grants awarded in SFY99	1999	$ -	$ 2,965,240	$ 24,274,000	(1) *	$ 3,065,000	
2) FS-998850-98 7/26/99; 1998	2000	$ 7,121,300	$ 1,424,260				
3) FS-998850-99 9/14/99; 1999		$ 7,463,800	$ 1,492,760	$ 15,073,701	(2)	$ 2,990,000	
4) FS-998850-00 10/02/00; 2000	2001	$ 7,757,000	$ 1,551,400				
5) FS-998850-01 05/21/01; 2001		$ 7,789,100	$ 1,557,820	$ 11,204,000	(3)	$ 3,190,000	$ 26,986
6) FS-998850-02 02/21/02; 2002	2002	$ 8,052,500	$ 1,610,500	$ 3,495,000			$ 145,660
No Grants awarded in SFY03	2003	$ -		$ 9,090,000	(4)	$ 1,675,000	$ 266,627
7) FS-998850-03 07/16/03 (set asides) & 6/28/04; 2003	2004	$ 8,004,064	$ 1,600,813	$ 8,180,780			$ 331,226
8) FS-998850-05 08/16/04 (04 set asides), 6/16/05 (2004 & 2005 grants & 2005 set asides)	2005	$ 16,588,524	$ 3,317,705	$ 12,683,000	(5)	$ 3,875,000	$ 421,554
8) FS-998850-05 8/5/05 Transfer to WPCSRF		$ (5,000,000)					
9) FS-998850-06 5/17/06; 2006	2006	$ 8,229,300	$ 1,645,860	$ 24,929,596			$ 1,095,911
10) FS-998850-07 6/5/07; 2007	2007	$ 8,229,000	$ 1,645,800	$ 17,007,000			$ 552,917
11) FS-998850-08 6/5/07; 2008	2008	$ 8,146,000	$ 1,629,200	$ 15,156,160	(6)	$ 1,500,000	$ 720,991
TOTAL		$ 97,206,788	$ 20,441,358	$ 141,093,237		$ 16,295,000	$ 3,561,872

*Bond Anticipation Note issued 7-31-98 for $1,000,000, paid off by GO Bond for $3,065,000 issued 10-6-98
1) First General Obligation Bond Issued October 1, 1998 for $3,065,000
2) Second General Obligation Bond Issued April 15, 2000 for $2,990,000
3) Third General Obligation Bond Issued June 15, 2001 for $3,190,000
4) Fourth General Obligation Bond Issued June 15, 2003 for $1,675,000
5) Fifth General Obligation Bond Issued April 19, 2005 for $3,875,000
6) Bond Anticipation Note (BAN) 8/10/07 $500,000 and Revenue Anticipation Note (RAN) 4/15/08 $1,000,000

Exhibit 2: DWSRF Binding Commitments Executed SFY 08

Public Entity	Type of Security	B.C. Date	B.C. Amount	Bond Amount	Total Drawn	Balance Remaining	Closing Date	Gross interest	Net Interest	Term
Columbus	Revenue	7/20/2007	$ 110,000.00	$ 110,000.00	$ 110,000.00	$ -	9/20/2007	3.75%	2.00%	20
Ekalaka	Revenue	12/28/2007	$ 306,000.00					2.75%	2.00%	20
Ekalaka Refinance	Revenue	5/6/2008	$ 294,000.00					2.75%	2.00%	21
Elk Meadows WD	Revenue	12/11/2007	$ 475,000.00					2.75%	2.00%	20
Gardiner Park	Revenue	8/13/2007	$ 200,000.00	$ 125,000.00	$ 101,420.00	$ 23,580.00	11/20/2007	2.75%	2.00%	20
Goodian Keil	Revenue	10/18/2007	$ 500,000.00					2.75%	2.00%	20
Great Falls	Revenue	4/7/2008	$ 4,010,000.00				11/21/2007	3.75%	2.00%	20
Harlem	Revenue	9/13/2007	$ 500,000.00					2.75%	2.00%	20
Harlem	Revenue	9/13/2007	$ 621,000.00					3.75%	2.00%	20
Hill County (inc) *	Revenue	9/25/2007	$ 68,000.00	$ 758,000.00	$ 723,998.00	$ 34,002.00	9/25/2007	3.75%	2.00%	20
Miles City III - A	Revenue	1/28/2008	$ 500,000.00	$ 500,000.00	$ 500,000.00	$ -	3/12/2008	2.75%	2.00%	30
Miles City III - B	Revenue	1/28/2008	$ 2,200,000.00	$ 2,200,000.00	$ 12,257.00	$ 2,187,743.00	6/10/2008	3.75%	2.00%	30
Panoramic (inc)*	Revenue	6/30/2008	$ 20,000.00					3.75%	2.00%	20
Seeley Lake	GO	3/31/2008	$ 2,721,000.00					3.75%	2.00%	30
Shelby	Revenue	10/24/2007	$ 650,000.00					3.75%	2.00%	20
Thompson Falls	Revenue	7/13/2007	$ 138,000.00					2.75%	2.00%	20
Upper Lower River Rd	BAN	2/25/2008	$ 843,160.00	$ 843,160.00	$ 189,580.00	$ 653,580.00	3/19/2008	2.75%	2.00%	2
Whitefish II	Revenue	9/6/2007	$ 1,000,000.00	$ 1,000,000.00	$ 900,000.00	$ 100,000.00	9/6/2007	3.75%	2.00%	20
Total Committed			$ 15,156,160.00	$ 5,536,160.00	$ 2,537,255.00	$ 2,998,905.00				

* Increase or decrease to a prior fiscal year binding commitment
Hill County total commit amount $758,000.
Panoramic total commit amount $120,000.

Exhibit 3: DWSRF Capitalized Grant Closed Loans for SFY 08

Public Entity	Type of Security	B.C. Date	B.C. Amount	Loan Amount	Total Drawn	Balance Remaining	Closing Date	Gross interest
Columbus	Revenue	7/20/2007	$ 110,000.00	$ 110,000.00	$ 110,000.00	$ -	9/20/2007	3.75%
Gardiner Park III	Revenue	8/13/2007	$ 200,000.00	$ 125,000.00	$ 101,420.00	$ 23,580.00	11/20/2007	2.75%
Jette Meadows	BAN	6/20/2007	$ 50,000.00	$ 44,477.00	$ 44,477.00	$ -	7/24/2007	2.75%
Jette Meadows	Revenue	2/6/2007	$ 300,000.00	$ 300,000.00	$ 246,621.00	$ 53,379.00	10/2/2007	3.75%
Kalispell II	Revenue	3/5/2007	$ 1,629,841.00	$ 1,500,000.00	$ 1,500,000.00	$ -	10/17/2007	3.75%
Lockwood III - A	Revenue	12/4/2006	$ 500,000.00	$ 500,000.00	$ 242,005.00	$ 257,995.00	4/17/2008	2.75%
Miles City II - A	Revenue	5/17/2007	$ 500,000.00	$ 500,000.00	$ 500,000.00	$ -	3/12/2008	2.75%
Miles City II - B	Revenue	5/17/2007	$ 2,200,000.00	$ 2,200,000.00	$ 1,146,856.00	$ 1,053,144.00	5/8/2008	3.75%
Miles City III - A	Revenue	1/28/2008	$ 500,000.00	$ 500,000.00	$ 500,000.00	$ -	3/12/2008	2.75%
Miles City III - B	Revenue	1/28/2008	$ 2,200,000.00	$ 2,200,000.00	$ 12,257.00	$ 2,187,743.00	6/10/2008	3.75%
Sheridan	Revenue	8/1/2005	$ 462,000.00	$ 423,000.00	$ 237,820.00	$ 185,180.00	9/28/2007	2.75%
Spring Meadows	Revenue	9/28/2005	$ 365,000.00	$ 309,000.00	$ 306,937.00	$ 2,063.00	7/25/2007	2.75%
Upper Lower River Rd	BAN	2/25/2008	$ 843,160.00	$ 843,160.00	$ 189,580.00	$ 653,580.00	3/19/2008	2.75%
Closed Loans			$ 9,860,001.00	$ 9,554,637.00	$ 5,137,973.00	$ 4,416,664.00		

Exhibit 4: DWSRF Recycled Closed Loans for SFY 08

Public Entity	Type of Security	B.C. Date	B.C. Amount	Loan Amount	Total Drawn	Balance Remaining	Closing Date	Gross interest
Big Sky	GO	12/8/2006	$ 5,000,000.00	$ 5,000,000.00	$ 3,172,277.00	$ 1,827,723.00	8/17/2007	3.75%
Havre III - A	Revenue	2/16/2007	$ 500,000.00	$ 500,000.00	$ 500,000.00	$ -	8/1/2007	2.75%
Havre III - B	Revenue	2/16/2007	$ 960,000.00	$ 956,000.00	$ 92,037.00	$ 863,963.00	9/28/2007	3.75%
Hill County	Revenue	6/26/2006 + 9/25/07 increase	$ 758,000.00	$ 758,000.00	$ 723,998.00	$ 34,002.00	9/25/2007	3.75%
Whitefish	Revenue	7/18/2007	$ 1,000,000.00	$ 900,000.00	$ 900,000.00	$ -	9/6/2007	3.75%
Closed Loans			$ 8,218,000.00	$ 8,114,000.00	$ 5,388,312.00	$ 2,725,688.00		

Exhibit 5: History of DWSRF Binding Commitments

Federal Fiscal QTR/YR	State Fiscal Year	Qtr	Grant Payments	Cumulative Payments	Binding Commitment	Fiscal Year Binding Commitment	Cumulative Binding Commitment	BC/Payments One Year Earlier
4Q FFY98	SFY99	1		$ 15,094,248	$ 22,935,000		$ 22,935,000	
1Q FFY99	SFY99	2		$ 15,094,248	$ 291,000		$ 23,226,000	
2Q FFY99	SFY99	3		$ 15,094,248			$ 23,226,000	
3Q FFY99	SFY99	4		$ 15,094,248	$ 1,048,000	$ 24,274,000	$ 24,274,000	
4Q FFY99	SFY00	1	$ 7,777,812	$ 22,872,060	$ 4,193,000		$ 28,467,000	
1Q FFY00	SFY00	2		$ 22,872,060	$ 3,832,000		$ 32,299,000	213.98%
2Q FFY00	SFY00	3		$ 22,872,060	$ 2,321,373		$ 34,620,373	229.36%
3Q FFY00	SFY00	4		$ 22,872,060	$ 4,727,328	$ 15,073,701	$ 39,347,701	260.68%
4Q FFY00	SFY01	1	$ 8,173,932	$ 31,045,992	$ 1,250,000		$ 40,597,701	177.50%
1Q FFY01	SFY01	2		$ 31,045,992	$ 2,265,000		$ 42,862,701	187.40%
2Q FFY01	SFY01	3		$ 31,045,992	$ 2,893,000		$ 45,755,701	200.05%
3Q FFY01	SFY01	4		$ 31,045,992	$ 4,796,000	$ 11,204,000	$ 50,551,701	221.02%
4Q FFY01	SFY02	1	$ 8,648,120	$ 39,694,112	$ 1,641,000		$ 52,192,701	168.11%
1Q FFY02	SFY02	2		$ 39,694,112	$ 1,066,000		$ 53,258,701	171.55%
2Q FFY02	SFY02	3		$ 39,694,112	$ 604,000		$ 53,862,701	173.49%
3Q FFY02	SFY02	4	$ 8,910,356	$ 48,604,468	$ 184,000	$ 3,495,000	$ 54,046,701	174.09%
4Q FFY02	SFY03	1		$ 48,604,468	$ 2,500,000		$ 56,546,701	142.46%
1Q FFY03	SFY03	2		$ 48,604,468	$ 887,000		$ 57,433,701	144.69%
2Q FFY03	SFY03	3	$ 8,805,900	$ 57,410,368	$ 4,703,000		$ 62,136,701	156.54%
3Q FFY03	SFY03	4		$ 57,410,368	$ 1,000,000	$ 9,090,000	$ 63,136,701	129.90%
4Q FFY03	SFY04	1		$ 57,410,368	$ 1,384,000		$ 64,520,701	132.75%
1Q FFY04	SFY04	2		$ 57,410,368	$ 1,229,000		$ 65,749,701	135.28%
2Q FFY04	SFY04	3		$ 57,410,368	$ 3,355,780		$ 69,105,481	120.37%
3Q FFY04	SFY04	4	$ 8,574,713	$ 65,985,081	$ 2,212,000	$ 8,180,780	$ 71,317,481	124.22%
4Q FFY04	SFY05	1		$ 65,985,081	$ 565,000		$ 71,882,481	125.21%
1Q FFY05	SFY05	2		$ 65,985,081	$ (45,000)		$ 71,837,481	125.13%
2Q FFY05	SFY05	3		$ 65,985,081	$ 4,587,000		$ 76,424,481	133.12%
3Q FFY05	SFY05	4	$ -	$ 65,985,081	$ 7,576,000	$ 12,683,000	$ 84,000,481	127.30%
4Q FFY05	SFY06	1		$ 65,985,081	$ 19,032,596		$ 103,033,077	156.15%
1Q FFY06	SFY06	2		$ 65,985,081	$ 179,000		$ 103,212,077	156.42%
2Q FFY06	SFY06	3		$ 65,985,081	$ 638,000		$ 103,850,077	157.38%
3Q FFY06	SFY06	4	$ 11,505,685	$ 77,490,766	$ 5,080,000	$ 24,929,596	$ 108,930,077	165.08%
4Q FFY06	SFY07	1		$ 77,490,766	$ 100,000		$ 109,030,077	165.23%
1Q FFY07	SFY07	2		$ 77,490,766	$ 6,756,000		$ 115,786,077	175.47%
2Q FFY07	SFY07	3		$ 77,490,766	$ 8,557,000		$ 124,343,077	188.44%
3Q FFY07	SFY07	4	$ 8,745,988	$ 86,236,754	$ 1,594,000	$ 17,007,000	$ 125,937,077	162.52%
4Q FFY07	SFY08	1		$ 86,236,754	$ 2,637,000		$ 128,574,077	165.92%
1Q FFY08	SFY08	2		$ 86,236,754	$ 1,931,000		$ 130,505,077	168.41%
2Q FFY08	SFY08	3		$ 86,236,754	$ 6,264,160		$ 136,769,237	176.50%
3Q FFY08	SFY08	4	$ 8,570,640	$ 94,807,394	$ 4,324,000	$ 15,156,160	$ 141,093,237	163.61%
	TOTALS		$ 94,807,394				$ 141,093,237	
	CUM TOTAL		$ 94,807,394				$ 141,093,237	

Exhibit 6: DWSRF Projected Binding Commitments for SFY 09

Public Entities	Estimated Date of Commitment	Estimated Loan Amounts
Bainville Refinance	Apr-09	$ 326,000
Belgrade	Jun-09	$ 5,000,000
Billings - waterline project	Apr-09	$ 1,700,000
Cutbank	Apr-09	$ 350,000
Dry Prairie	Nov-08	$ 500,000
Eureka	Apr-09	$ 230,000
Manhattan	Jul-08	$ 395,000
Saco	Aug-08	$ 475,000
Upper Lower River Rd Phase III	May-09	$ 496,000
Columbus Phase II	Apr-09	$ 120,000
Total		$ 9,592,000

Exhibit 7: Amounts Available to Transfer Between State Revolving Fund Programs

Year	Transaction Description	DWSRF Cap Grant Amount	33% of Cap Grant Amount (Eligible for Transfer)	Transferred from CWSRF to DWSRF	Transferred from DWSRF to CWSRF	Banked Transfer Ceiling	DWSRF Funds Available for Transfer	CWSRF Funds Available for Transfer
1996 & 1997	DW Grant Award	$ 14,826,200	$ 4,892,646			$ 4,892,646	$ 4,892,646	$4,892,646
1998	DW Grant Award	7,121,300	2,350,029			7,242,675	7,242,675	7,242,675
1999	DW Grant Award	7,463,800	2,463,054			9,705,729	9,705,729	9,705,729
2000	DW Grant Award	7,757,000	2,559,810			12,265,539	12,265,539	12,265,539
2000	Transfer (2nd Rnd $)			4,750,328		12,265,539	17,015,867	7,515,211
2001	DW Grant Award	7,789,100	2,570,403			14,835,942	19,586,270	10,085,614
2001	Transfer (2nd Rnd $)			4,032,158		14,835,942	23,618,428	6,053,456
2002	DW Grant Award	8,052,500	2,657,325			17,493,267	26,275,753	8,710,781
2004	DW Grant Award (03)	8,004,064	2,641,341			20,134,608	28,917,094	11,352,122
2004	Transfer (2nd Rnd $)				2,559,810	20,134,608	26,357,284	13,911,932
2005	Transfer (2nd Rnd $)				2,570,403	20,134,608	23,786,881	16,482,335
2005	Transfer (2nd Rnd $)				1,000,000	20,134,608	22,786,881	17,482,335
2005	DW Grant Awards (04 & 05)	16,588,524	5,474,213			25,608,821	28,261,094	22,956,548
2006	DW Grant Award (06)	8,229,300	2,715,669			28,324,490	30,976,763	25,672,217
2006	Transfer (1st Rnd $)		-		5,000,000	28,324,490	25,976,763	30,672,217
2007	DW Grant Award (07)	8,229,000	2,715,570			31,040,060	28,692,323	33,387,787
2008	Transfer (2nd Rnd $)		-	2,500,000			31,192,333	30,887,787
2008	DW Grant Award	8,146,000	2,688,180			33,728,240	33,880,513	33,575,967
Totals		**102,206,788**	**33,728,240**	**11,282,486**	**11,130,213**			

Exhibit 7A Transfer of Funds Between SRF and WRF

Authority to Transfer

Award of Water Grant	1996 & 97	$	14,826,200	x33%	$ 4,892,646
	1998		7,121,300	x33%	2,350,029
	1999		7,463,800	x33%	2,463,054
	2000		7,757,000	x33%	2,559,810
	2001		7,789,100	x33%	2,570,403
	2002		8,052,500	x33%	2,657,325
	2003		8,004,064	x33%	2,641,341
	2004 & 05		16,588,524	x33%	5,474,213
	2006		8,229,300	x33%	2,715,669
	2007		8,229,000	x33%	2,715,570
	2008		8,146,000	x33%	2,688,180
		$	102,206,788		$ 33,728,240

Authority Used

Fiscal Year	Type of Funds	SRF to WRF	WRF to SRF
SFY 2000	Recycled	$ 4,750,328	$ -
SFY 2001	Recycled	4,032,158	-
SFY 2002		-	-
SFY 2003		-	-
SFY 2004	Recycled	-	2,559,810
SFY 2005	Recycled	-	3,570,403
SFY 2006	Grant	-	5,000,000
SFY 2007		-	-
SFY 2008	Recycled	2,500,000	
		$ 11,282,486	$ 11,130,213

	SRF	WRF
Authority Available	$ 33,728,240	$ 33,728,240
Used Authority	$ 11,282,486	$ 11,130,213
Balance Available	$ 22,445,754	$ 22,598,027

Exhibit 8: Summary of Drinking Water State Revolving Fund Federal Draws for SFY 08

Summary of Drinking Water SRF Federal Draws
State Fiscal Year 2008

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
1st Quarter							
07/05/07	17,308					17,308	4,327
07/11/07			1350	22550	550	24,450	
07/17/07				7250		7,250	
07/19/07	31,713					31,713	7,928
07/30/07	6,240		4,000	7,500	1,000	18,740	1,560
08/07/07	1,265,680	3,500	1,500	13,000	500	1,284,180	316,420
08/13/07		37,500		24,250	3,350	65,100	
08/21/07		1,500		15,000	500	17,000	
08/30/07	3,869					3,869	967
09/06/07	18,258	28,850	3,100	14,900	3,150	68,258	4,565
09/13/07	14,189	16,500		22,000	5,500	58,189	3,547
09/14/07	5,890					5,890	1,472
09/26/07	170,662	15,500		15,550	4,700	206,412	42,666
1st Quarter Draws	**$ 1,533,809**	**$ 103,350**	**$ 9,950**	**$ 142,000**	**$ 19,250**	**$ 1,808,359**	**$ 383,452**

Exhibit 8*:* Summary of Drinking Water State Revolving Fund Federal Draws for SFY 08 (Continued)

Summary of Drinking Water SRF Federal Draws
State Fiscal Year 2008

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
2nd Quarter							
10/04/07	511994					511,994	127999
10/11/07	57,378		3,750	3,750		64,878	14,345
10/12/07		26,500		30,500	7,000	64,000	
10/22/07				3,000	(3,000)	-	
10/23/07	283,036					283,036	70,759
10/26/07		19,310		22,000	50	41,360	
10/30/07	357,450					357,450	89,363
11/08/07		26,000	250	22,750	1,000	50,000	
11/13/07		6,000		4,000		10,000	
11/14/07	17,515					17,515	4,379
11/19/07	20,574					20,574	5,144
11/21/07		24,000		19,000	200	43,200	
11/27/07		3,000	2,500	3,000		8,500	
11/30/07	77,690				15,000	92,690	19,422
12/03/07		1,000	200	4,000	5,000	10,200	
12/05/07		23,000		23,000	1,500	47,500	
12/11/07		8,000				8,000	
12/12/07	104,854					104,854	26,214
12/13/07	886,596					886,596	221,649
12/17/07	1,792	22,000		26,000	10,000	59,792	448
12/21/07		7,000		8,000	2,500	17,500	
2nd Quarter Draws	**$ 2,318,879**	**$ 165,810**	**$ 6,700**	**$ 169,000**	**$ 39,250**	**$ 2,699,639**	**$ 579,722**

Exhibit 8: Summary of Drinking Water State Revolving Fund Federal Draws for SFY 08 (Continued)

Summary of Drinking Water SRF Federal Draws
State Fiscal Year 2008

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
3rd Quarter							
01/02/08	63,191	20,000	500	40,000	5,500	129,191	15,797
01/04/08			8000	4,500		12,500	
01/16/08		28,000		40,000	5,000	73,000	
01/18/08	207,804	2,500		5,000	1,500	216,804	51,951
01/31/08				30,000		30,000	
02/05/08	15,188					15,188	3,797
02/15/08		(28,000)		25,000	16,000	13,000	
02/19/08			6000	11,000		17,000	
02/20/08				6,000	1,000	7,000	
02/28/08		7,000	10500	37,500	5,500	60,500	
03/03/08				1,500	1,500	3,000	
03/11/08	276,044					276,044	69,011
03/12/08	39,171					39,171	9,793
03/13/08		7,000	500	26,000	4,000	37,500	
03/14/08				5,500	500	6,000	
03/26/08		3,000		26,000	2,500	31,500	
03/31/08		2,500	13000	6,000	1,000	22,500	
3rd Quarter Draws	**$ 601,398**	**$ 42,000**	**$ 38,500**	**$ 264,000**	**$ 44,000**	**$ 989,898**	**$ 150,349**

Exhibit 8: Summary of Drinking Water State Revolving Fund Federal Draws for SFY 08 (Continued)

Summary of Drinking Water SRF Federal Draws
State Fiscal Year 2008

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
4th Quarter							
04/01/08				10500		10,500	
04/10/08		13000	1000	34500	2,000	50,500	
04/14/08		5000				5,000	
04/16/08	98,089					98,089	24,522
04/23/08			(200)	6,600	2,500	8,900	
04/25/08	55,350			37,500		92,850	13,837
04/30/08				43,500	2,000	45,500	
05/06/08	689,162					689,162	172,291
05/07/08		(33,000)	11,500	40,500	4,000	23,000	
05/14/08		(9,000)	(2,000)	14,500	(500)	3,000	
05/19/08	162,324					162,324	40,581
05/23/08		4,500	500	45,500	5,000	55,500	
06/04/08		3,500		37,000	3,500	44,000	
06/05/08	133,058					133,058	33,265
06/09/08	68,810					68,810	17,202
06/10/08	582,002					582,002	145,500
06/18/08	129,931					129,931	32,482
06/20/08		1,500	500	37,500	2,500	42,000	
06/25/08				1,000		1,000	
4th Quarter Draws	**$ 1,918,726**	**$ (14,500)**	**$ 11,300**	**$ 308,600**	**$ 21,000**	**$ 2,245,126**	**$ 479,680**
Total FY08 Draws	**$ 6,372,812**	**$ 296,660**	**$ 66,450**	**$ 883,600**	**$ 123,500**	**$ 7,743,022**	**$ 1,593,203**

EXHIBIT 9: DRINKING WATER STATE REVOLVING FUND BUDGET VS DRAW BY CATEGORY SFY 08

Drinking Water State Revolving Fund
State Fiscal Year 2008
Budget v. Draw by Category

Program Name: FS998850 - 97	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	593,048	593,048	-	-
Technical Assistance	296,524	296,524	-	-
State Programs				
Public Water Supply Administration	120,000	120,000	-	-
Source Water Protection/Database	100,000	100,000	-	-
Capacity Development	50,000	50,000	-	-
Operator Certification	55,000	55,000	-	-
Subtotal	*325,000*	*325,000*	-	-
Local Assistance	1,482,620	1,482,620	-	-
Loans	12,129,008	12,129,008	-	-
Total	**14,826,200**	**14,826,200**	**-**	**-**

Program Name: FS998850 - 98	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	284,852	284,852	-	-
Technical Assistance	142,426	142,426	-	-
State Programs				
Public Water Supply Administration	155,470	155,470	-	-
Source Water Protection/Database	105,000	105,000	-	-
Capacity Development	10,000	10,000	-	-
Operator Certification	70,000	70,000	-	-
Subtotal	*340,470*	*340,470*	-	-
Loans	6,353,552	6,353,552	-	-
Total	**7,121,300**	**7,121,300**	**-**	**-**

Exhibit 9: Drinking Water State Revolving Fund Budget vs Draw by Category SFY 08 (Continued)
Drinking Water State Revolving Fund
State Fiscal Year 2008
Budget v. Draw by Category

Program Name: FS998850 - 99	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	298,552	298,552	-	-
Technical Assistance	149,276	149,276	-	-
State Programs				
Public Water Supply Administration	154,800	154,800	-	-
Source Water Protection/Database	100,000	100,000	-	-
Capacity Development	10,000	10,000	-	-
Operator Certification	70,000	70,000	-	-
Subtotal	*334,800*	*334,800*	-	-
Loans	6,681,172	6,681,172	-	-
Total	**7,463,800**	**7,463,800**	**-**	**-**

Program Name: FS998850 - 00	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	310,280	310,280	-	-
State Programs				
Public Water Supply Administration	155,000	155,000	-	-
Source Water Protection/Database	75,000	75,000	-	-
Capacity Development	50,000	50,000	-	-
Operator Certification	70,000	70,000	-	-
Subtotal	*350,000*	*350,000*	-	-
Loans	7,096,720	7,096,720	-	-
Total	**7,757,000**	**7,757,000**	**-**	**-**

Exhibit 9: Drinking Water State Revolving Fund Budget vs Draw by Category SFY 08 (Continued)
Drinking Water State Revolving Fund
State Fiscal Year 2008
Budget v. Draw by Category

Program Name: FS998850 - 01	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	311,564	311,564	-	-
State Programs				
Source Water Protection/Database	75,000	75,000	-	-
Capacity Development	50,000	50,000	-	-
Subtotal	*125,000*	*125,000*	-	-
Loans	7,352,536	7,352,536	-	-
Total	**7,789,100**	**7,789,100**	**-**	**-**
Program Name: FS998850 - 02	**Budget**	**Previous Draws**	**SFY 08 Draws**	**Balance 6/30/2008**
Administration	322,100	322,100	-	-
State Programs				
Public Water Supply Administration	395,000	395,000	-	-
Capacity Development	50,000	50,000	-	-
Operator Certification	90,000	90,000	-	-
Subtotal	*535,000*	*535,000*	-	-
Loans	7,195,400	7,195,400	-	-
Total	**8,052,500**	**8,052,500**	**-**	**-**

Exhibit 9: Drinking Water State Revolving Fund Budget vs Draw by Category SFY 08 (Continued)
Drinking Water State Revolving Fund
State Fiscal Year 2008
Budget v. Draw by Category

Program Name: FS998850 - 03	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	320,164	320,164	-	-
Technical Assistance	125,000	125,000	-	-
State Programs				
Source Water Protection/Database	100,000	100,000	-	-
Public Water Supply Administration	395,000	395,000	-	-
Operator Certification	90,000	90,000	-	-
Subtotal	*585,000*	*585,000*	-	-
Loans	6,973,900	6,973,900	-	-
Total	**8,004,064**	**8,004,064**	**-**	**-**

Program Name: FS998850 - 04	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	332,124	332,124	-	-
Technical Assistance	135,000	135,000	-	-
State Programs				
Source Water Protection/Database	100,000	100,000	-	-
Capacity Development	82,000	82,000	-	-
Public Water Supply Administration	160,000	160,000	-	-
Operator Certification	90,000	90,000	-	-
Subtotal	*432,000*	*432,000*	-	-
Local Assistance	40,000	40,000	-	-
Total	**939,124**	**939,124**	**-**	**-**

Exhibit 9: Drinking Water State Revolving Fund Budget vs Draw by Category SFY 08 (Continued)

Drinking Water State Revolving Fund
State Fiscal Year 2008
Budget v. Draw by Category

Program Name: FS998850 - 05	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	331,420	331,420	-	-
Technical Assistance	125,000	99,850	25,150	-
State Programs				
Source Water Protection/Database	100,000	100,000	-	-
Capacity Development	75,000	75,000	-	-
Public Water Supply Administration	630,000	609,489	20,511	-
Operator Certification	160,000	135,511	24,489	-
Subtotal	*965,000*	*920,000*	*45,000*	-
Local Assistance	40,000	25,000	15,000	-
Loans	9,187,980	8,038,703	1,149,277	-
Total	**10,649,400**	**9,414,973**	**1,234,427**	**-**

Program Name: FS998850 - 06	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	329,172	329,172	-	-
Technical Assistance	20,000	-	16,300	3,700
State Programs				
Source Water Protection/Database	100,000	67,295	32,705	-
Capacity Development	50,000	32,264	17,736	-
Public Water Supply Administration	550,000	213,441	324,159	12,400
Operator Certification	30,000	-	30,000	-
Subtotal	*730,000*	*313,000*	*404,600*	*12,400*
Local Assistance	50,000	30,500	19,500	-
Loans	7,100,128	-	5,223,535	1,876,593
Total	**8,229,300**	**672,672**	**5,663,935**	**1,892,693**

Exhibit 9: Drinking Water State Revolving Fund Budget vs Draw by Category SFY 08 (Continued)
Drinking Water State Revolving Fund
State Fiscal Year 2008
Budget v. Draw by Category

Program Name: FS998850 - 07	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	329,160		296,660	32,500
Technical Assistance	95,000		25,000	70,000
State Programs				
Source Water Protection/Database	100,000		42,610	57,390
Capacity Development	80,000		67,446	12,554
Public Water Supply Administration	550,000		294,577	255,423
Operator Certification	60,000		29,367	30,633
Subtotal	*790,000*	-	*434,000*	*356,000*
Local Assistance	90,000		89,000	1,000
Loans	6,924,840	-	-	6,924,840
Total	**8,229,000**	**-**	**844,660**	**7,384,340**

Program Name: Total All Grants	Budget	Previous Draws	SFY 08 Draws	Balance 6/30/2008
Administration	3,762,436	3,433,276	296,660	32,500
Technical Assistance	1,088,226	948,076	66,450	73,700
State Programs				
Public Water Supply Administration	3,265,270	2,358,200	639,247	267,823
Source Water Protection/Database	955,000	822,295	75,315	57,390
Capacity Development	507,000	409,264	85,182	12,554
Operator Certification	785,000	670,511	83,856	30,633
Subtotal	*5,512,270*	*4,260,270*	*883,600*	*368,400*
Local Assistance	1,612,772	1,578,120	123,500	1,000
Loans	70,070,549	61,820,991	6,372,812	8,801,433
Total	**82,046,253**	**72,040,733**	**7,743,022**	**9,277,033**

Exhibit 9, SFY 08 Summary of Drinking Water SRF Letter of Credit to ASAP Draws shows 36 disbursement requests totaling $12,745,624, 36 administrative set-aside disbursement requests totaling $593,320, and 50 non-administrative set-aside requests totaling $2,147,100. The total federal draws for SFY 08 were $7,743,022.

Exhibit 10: Set Asides 1 to 1 Match Funding Summary

MONTANA DEPT OF ENVIRONMENTAL QUALITY
PUBLIC WATER SUPPLY PROGRAM

INTENDED USE PLAN

		FUND SOURCES		
State FYE 93		**FEDERAL**	**STATE MATCH**	**STATE EXCESS**
Activity	**R/C**			
Public Water Supply Program	2511/2512	738,559	246,186	
Drinking Water Fees	2512			203,526
Subdivisions	2515			173,061
Subdivision Supplemental	2518			101,731
Board Cert for W&WW Operators	2516			57,085
	TOTAL FY 93	**738,559**	**246,186**	**535,404**

		FUND SOURCES		
State FYE 08		**FEDERAL**	**STATE Match**	**STATE Match**
Activity	**Org Unit**	**PPG Grant**	**PPG Grant**	**for SRF Grant**
Public Water Supply Program - 02204	120520, 302832, 545811	1,203,200	300,800	
Subdivision Fees - 02418	546115 - 546120			1,487,568
Drinking Water Fees - 02204	545812, 545819			570,225
Board Cert for W&WW Operators - 02420	545916			96,792
	TOTAL FY 08	**1,203,200**	**300,800**	**2,154,586**

Exhibit 11: DWSRF Loans: MBE/WBE for Contracts Awarded During SFY 08

Exhibit 11: DWSRF Loans – MBE/WBE For Contracts Awarded During SFY 08								
FFY Qtr/Yr	**SFY Qtr/Yr**	**Borrower**	**Loan No.**	**Bid Amount**	**Loan Amount**	**DBE Type**	**DBE Amount**	**DBE Percent #**
04/07	01/08	None						
01/08	02/08	None						
02/08	03/08	Upper Lower RR	WRF 08-118	$1,193,790	$843,160	MBE	$39,116	3.3%
		Upper Lower RR	WRF 08-118	$1,193,790	$843,160	WBE	$36,631	3.1 %
		Miles City	WRF 08-120	$1,429,500	$500,000	WBE	$15,000	1 %
		Thompson Falls	WRF 09-124	$389,678	$138,000	WBE	$3,800	1 %
03/08	04/08	Great Falls Dist	WRF 09-125	$629,313	$4,010,000	WBE	$3,775	0.6 %
		Lewis-Clark Co	WRF 08-999	$1,333,838	$396,000	WBE	$12,246	0.9 %
		Shelby Distribution	WRF 08-997	$1,281,878	$650,000	WBE	$11,180	0.9 %
		Goodan-Keil WSD	WRF 08-996	$664,132	$500,000	WBE	$25,760	3.9 %
		Panoramic WD	WRF 09-127	$237,000	$120,000	WBE	$237,000	100 %

Appendix A: SFY08 Cash Flow Model

Appendix B: SFY08 Financial Statements Unaudited with Footnotes

Appendix C: SFY08 Intended Use Plan

Appendix D: Map of Projects & List